

Uncompensated Care Pool Quarterly Report, PFY05 Q1

About this Report

Pursuant to Chapter 149 of the Acts of 2004, the Division of Health Care Finance and Policy (the Division) submits this quarterly report on the demographics and utilization patterns of individuals whose medical care is paid for by the Uncompensated Care Pool (UCP or 'the Pool'). This report covers Pool activity during the first quarter of Pool Fiscal Year 2005 (PFY05 Q1) from October 1, 2004, through December 31, 2004, and reports on the number of inpatient discharges and outpatient visits by age, income, and diagnostic category, as well as average charge per inpatient discharge and outpatient visit, and other statistics pertinent to monitoring the Pool.

Analyses of the utilization patterns of Pool users are based on claims for services billed to the Pool by each acute care hospital and community health center (CHC) in the Commonwealth. Demographic information is taken primarily from uncompensated care applications used by these facilities to determine eligibility and then submitted to the Division. Total charges and allowable uncompensated care costs are based on monthly reports submitted to the Division by each hospital and CHC. This report is based on the most recent data available. See Data Notes at the end of this report for further information on the data used in the analyses provided here.

This report is organized into three sections containing the following information on Pool activity during PFY05 Q1:

- *Pool Utilization Statistics*, including the number of individuals whose medical expenses were billed to the Pool, the volume of services provided to Pool users, and the costs to the Pool of that care;

- *Pool User Demographics*, including the volume of services and costs by age, gender, family income, and family size; and
- *Services Billed to the Pool*, including details on the types of services received by Pool users, inpatient and outpatient volume and costs by age and gender, type of inpatient admission, top reasons for care, and average costs for inpatient discharges and outpatient visits.

Uncompensated Care Pool Overview

The Uncompensated Care Pool pays for medically necessary services provided by acute care hospitals and CHCs to eligible low-income uninsured and underinsured individuals. In addition, the Pool reimburses hospitals for emergency services for uninsured individuals from whom the hospitals are unable to collect payment (these are known as emergency bad debt charges or ERBD). The Pool is always the payer of last resort on any claim. If an individual is uninsured, the Pool is the primary and only payer. However, if another public or private insurer is the primary payer, the Pool can be charged for the balance of charges for which the eligible individual is responsible. For more information about the Uncompensated Care Pool, please contact the Division at (617) 988-3222, or visit www.mass.gov/dhcfp.

Beginning in PFY04, the UCP payment method for hospitals changed from a retrospective fee-for-ser-

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vice system to a prospective fixed-payment system. Under the new system, acute care hospitals are paid a pre-determined amount from the Pool each month, based in part on historical uncompensated care costs. CHCs continue to be paid on a fee-for-service basis up to an annual cap that is set for total CHC expenditures. See the appendix for a summary table of the sources and uses of Pool funds comparing PFY04 with PFY05 Q1.

Pool Policy Changes

MassHealth Eligibility Screening

Section 355 of the Acts of 2004 requires the Division of Health Care Finance and Policy to screen all UCP applicants for MassHealth eligibility prior to making any UCP determination. Coupled with this initiative has been the introduction and deployment of the Virtual Gateway, a single application tool for MassHealth and UCP determinations. As of October 1, 2004, all UCP applications processed through the new system are screened for MassHealth eligibility before a UCP determination is made. The majority of UCP determinations are now completed via the new application process.

Critical Access Restrictions

Section 332 of the Acts of 2004 requires the Division to further limit the definition of services eligible for payment from the UCP. Effective January 1, 2005, hospitals are allowed to bill the UCP only for Critical Access services, which exclude primary care services unless there is no CHC within five miles or unless the patient's condition is severe or complex enough to require hospital-based primary care. Specialty, ancillary, and inpatient services are exempt from the Critical Access restriction.

The Critical Access services restriction is designed to encourage the delivery of primary care in appropriate, cost-effective settings.

Non-Resident Eligibility for Uncompensated Care

Under the Pool regulations effective October 1, 2004, non-residents are no longer eligible for uncompensated care. Prior to PFY05, non-residents' emergency and urgent services were UCP Eligible Services.

Figure 1A: Hospital-Projected Allowable Costs by Quarter, PFY04-PFY05 Q1 (in millions)

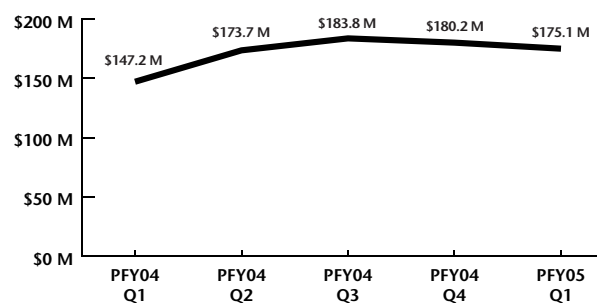
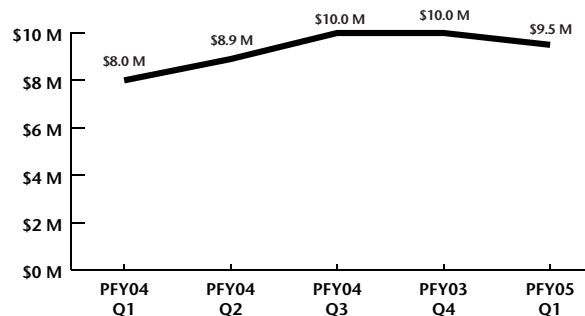


Figure 1B: CHC Payments by Quarter, PFY04-PFY05 Q1 (in millions)



PFY05 Q1 data alone are insufficient to assess the effect of the new regulations. The quarterly report for PFY05 Q2 will contain additional analyses specifically designed to measure changes in UCP eligibility and utilization attributable to the new regulations.

Pool Utilization Statistics

Number of Individuals Using the Pool

In PFY05 Q1, medical expenses for an estimated 192,933 individuals were billed to the Pool, representing a 2% growth in Pool users over PFY04 Q1 when medical expenses for 189,593 individuals were billed to the Pool.

In PFY04, medical services for 462,270 individuals were billed to the Pool; 41% of these individuals

Table 1: Total Service Volume and Costs by Hospital and CHC, PFY05 Q1

	Service Volume	Percent of Total Volume	Allowable Costs to the Pool	Percent of Total Costs
Total Inpatient Discharges	8,485	2%	\$56,042,827	30%
Total Outpatient Visits*	415,770	82%	\$119,091,006	65%
Total Hospital Discharges/Visits**	424,255	84%	\$175,133,833	95%
CHC Visits	82,305	16%	\$9,490,206	5%
Total Hospital and CHC Volume	506,560	100%	\$184,624,039	100%

* Outpatient Visits include visits to hospital outpatient departments and hospital-licensed community health centers.

** 87% of the service volume and 83% of costs were for regular uncompensated care services; 13% of service volume and 17% of costs were for emergency bad debt services (ERBD).

received services during PFY04 Q1.¹ The Division estimates that 470,568 individuals will benefit from services paid for by the Pool during PFY05, a 2% increase over PFY04.

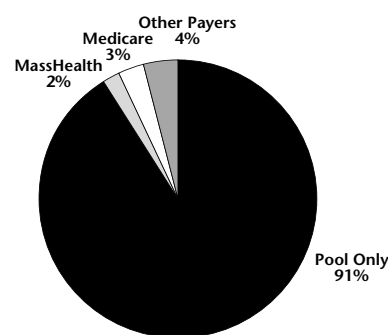
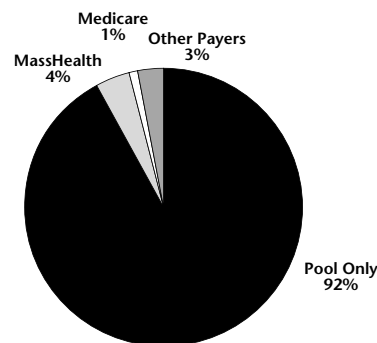
Allowable Costs Billed to the Pool

During PFY05 Q1, hospitals billed approximately \$175.1 million in projected allowable uncompensated care costs² to the Pool, an 3% decrease from the \$180.2 million billed to the Pool in the preceding quarter, PFY04 Q4. Costs during PFY05 Q1 exhibited a slower rate of growth than during previous quarters (see Figure 1A). Total projected costs to the Pool in PFY04 equaled approximately \$684.9 million, an average of \$171.2 million per quarter.

CHCs received \$9.5 million from the Pool during PFY05 Q1, a 5% decrease from the \$10.0 million paid to CHCs during PFY04 Q4 (see Figure 1B). However, it was a 19% increase over the \$8.0 million paid to CHCs in PFY04 Q1.

Volume of Services Provided

Table 1 summarizes the volume and costs of services billed to the Pool during PFY05 Q1. As in the previous year, inpatient discharges represented a small percentage of the volume (2%) but a large percentage of allowable uncompensated care costs (30%). In contrast, hospital outpatient visits (including visits to hospital-licensed health centers)

Figure 2A: Percent of Total Service Volume by Primary Payer, PFY05 Q1**Figure 2B: Percent of Total Hospital Pool Costs by Primary Payer, PFY05 Q1**

¹ The seemingly high percentage (41%) of users in the first quarter of PFY05 reflects the method used to calculate the number of users in a quarter versus a full year, and is not due to overly high utilization rates during the quarter. The user count for a quarter is the number of individuals who received services in that particular quarter; the user count for a year is the number of individuals who received services at any point during the year. Therefore, an individual who received services in the first and fourth quarters would be counted as a user in both the first and fourth quarters, but would only be counted as one user for the Pool Fiscal Year as a whole.

² These are projected costs based on the charges submitted to the Pool by each hospital multiplied by that hospital's interim cost-to-charge ratio.

Figure 3A: Percent of Total Hospital Service Volume by Gender of Patient, PFY05 Q1

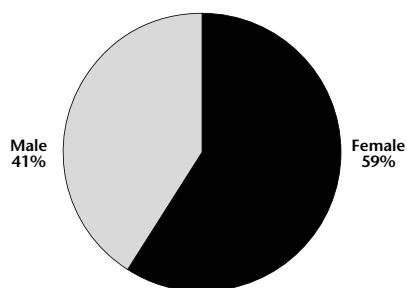


Figure 3B: Percent of Total Hospital Costs by Gender of Patient, PFY05 Q1

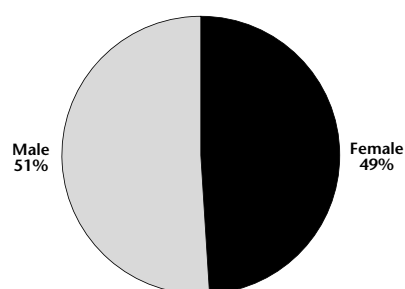


Figure 4A: Percent of Total Hospital Service Volume by Age of Patient, PFY05 Q1

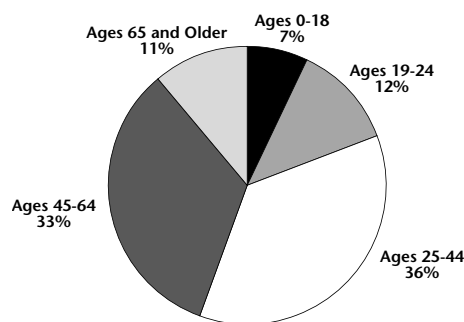
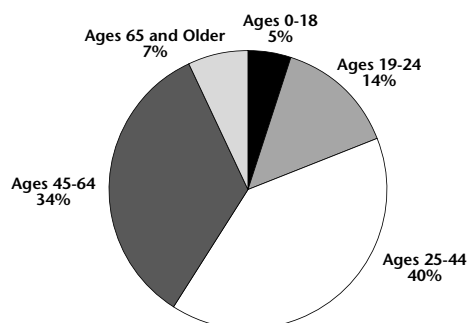


Figure 4B: Percent of Total Hospital Costs by Age of Patient, PFY05 Q1



accounted for 82% of services provided and 65% of costs. The remaining 16% of services and 5% of costs were for services delivered at free-standing CHCs.

Hospital services provided to individuals who applied for and were determined to be eligible for uncompensated care accounted for 87% of all services and 83% of allowable hospital costs billed to the Pool. The remaining 13% of hospital services and 17% of allowable costs were for uncollectible emergency bad debt (ERBD) services. These percentages remained unchanged compared with PFY04.

Pool User Demographics

In PFY05 Q1, the demographic characteristics of Pool users remained essentially unchanged from PFY04,

with the majority of Pool users being uninsured, single, childless adults ages 19 to 64, with very low incomes.

Insurance Status of Pool Users

The vast majority of Pool users were uninsured; 91% of all medical services billed to the Pool and 92% of costs were for individuals who reported having no insurance, and for whom the Pool was the primary and only payer. As such, the Pool paid for all medically necessary services for these uninsured individuals. The remainder of the Pool user population was covered by other public or private insurance, but the Pool was billed for any uncovered services, copayments, and deductibles. For this underinsured

population, MassHealth was the primary payer for 2% of service volume and 4% of costs billed to the Pool, Medicare was the primary payer for 3% of services and 1% of costs, and other commercial and government programs were the primary payers for 4% of services and 3% of costs (see Figures 2A and 2B). When Medicare or other payers were the primary payers, costs to the Pool represented a slightly lower percentage of total costs than of service volume. This difference reflects the fact that when the Pool is the only payer, it is billed for all medically necessary services, but when other payers are primary, the Pool is billed only for uncovered services, copayments, and deductibles, which are likely to be much lower in cost.

Utilization Patterns by Gender

As in previous quarters, men in the Pool user population used fewer services than women (41% of services billed to the Pool were for men versus 59% for women), but generated more hospital costs (51% for men versus 49% for women) (see Figures 3A and 3B). This difference reflects a variation in utilization patterns; men are more likely than women to receive inpatient hospital care, which accounts for higher costs to the Pool, while women more typically receive outpatient services (see also Figures 7A and 7B).

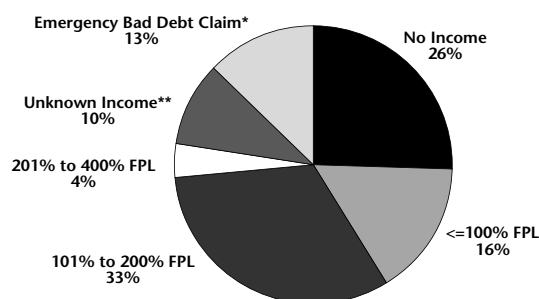
Utilization Patterns by Age

The Pool primarily pays for services for non-elderly adults. Young adults ages 25 to 44 received the largest percentage of services (36%), while the entire non-elderly population ages 19 to 64 received 81% of the total service volume (see Figure 4A). The distribution of hospital costs by age shows this same pattern (see Figure 4B).

Utilization Patterns by Income

The majority of Pool users were low-income, single adults (see Figures 5A and 6A). Three-quarters (75%) of services billed to the Pool were for individuals with incomes less than 200% FPL, who were thereby eligible for full uncompensated care. Interestingly, Pool users with no income accounted for 26% of service volume, but represented 31% of allowable hospital uncompensated care costs (see

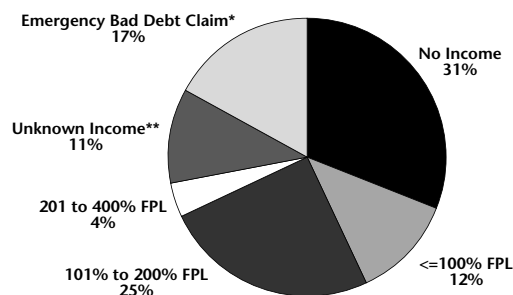
Figure 5A: Percent of Total Hospital Service Volume by Family Income, PFY05 Q1



* Data on family size are unavailable for ERBD claims because there are no uncompensated care applications associated with these claims.

** A small percentage of uncompensated care claims could not be matched to a corresponding application, so information on family size is unavailable for these claims.

Figure 5B: Percent of Total Hospital Costs by Family Income, PFY05 Q1



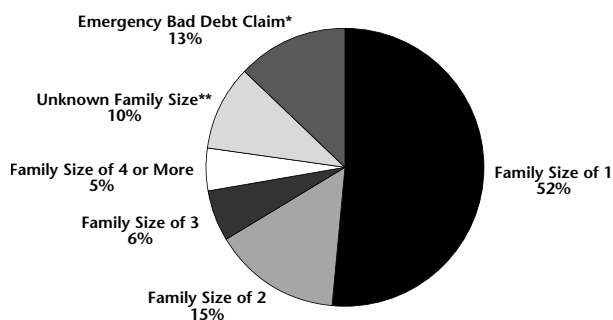
* Data on family size are unavailable for ERBD claims because there are no uncompensated care applications associated with these claims.

** A small percentage of uncompensated care claims could not be matched to a corresponding application, so information on family size is unavailable for these claims.

Figures 5A and 5B); as a group, they were more costly than other Pool users. This same pattern was also observed in PFY04.

In contrast, the group of Pool users with family incomes between 101% and 200% FPL was less costly and accounted for 33% of claims, but for only 25% of costs.

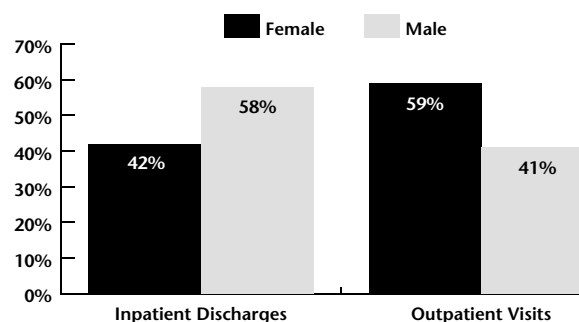
Figure 6A: Percent of Total Hospital Service Volume by Patient Family Size, PFY05 Q1



* Data on family size are unavailable for ERBD claims because there are no uncompensated care applications associated with these claims.

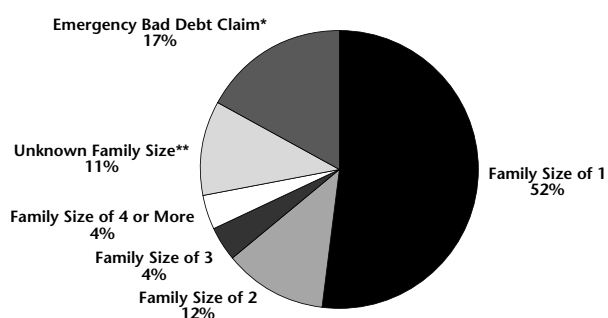
** A small percentage of uncompensated care claims could not be matched to a corresponding application, so information on family size is unavailable for these claims.

Figure 7A: Percent of Discharges and Visits* by Claim Type and Patient Gender, PFY05 Q1



* Includes visits to hospital outpatient clinics and hospital-licensed CHCs.

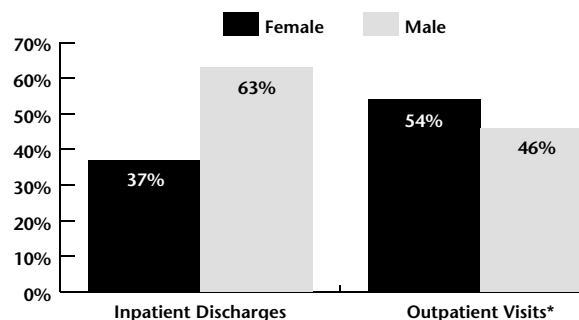
Figure 6B: Percent of Total Hospital Costs by Patient Family Size, PFY05 Q1



* Data on family size are unavailable for ERBD claims because there are no uncompensated care applications associated with these claims.

** A small percentage of uncompensated care claims could not be matched to a corresponding application, so information on family size is unavailable for these claims.

Figure 7B: Percent of Costs to the Pool by Claim Type and Patient Gender, PFY05 Q1



* Includes visits to hospital outpatient clinics and hospital-licensed CHCs.

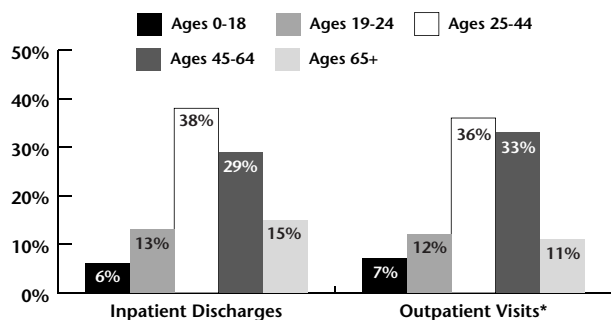
Utilization Patterns by Family Size

Two-thirds of service volume (67%) and costs to the Pool (64%) were for one- or two-person families. Fifty-two percent of all services were for single, childless adults, and another 15% were for two-person families comprised of two adults, or an adult and child.

Utilization Patterns of the Pool Population: Services Billed to the Pool

Except where noted, the Pool utilization patterns exhibited by the Pool population in PFY05 Q1 remained similar to the patterns of utilization observed in previous quarters.

Figure 8A: Percent of Discharges and Visits by Claim Type and Patient Age, PFY05 Q1



* Includes visits to hospital outpatient clinics and hospital-licensed CHCs.

Figure 9A: Percent of Inpatient Discharges by Admission Type, PFY05 Q1

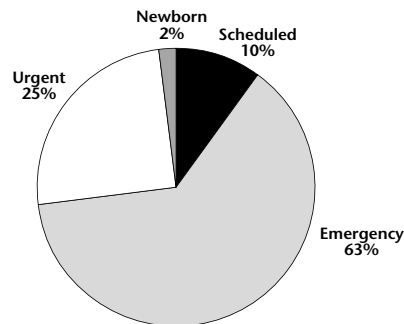
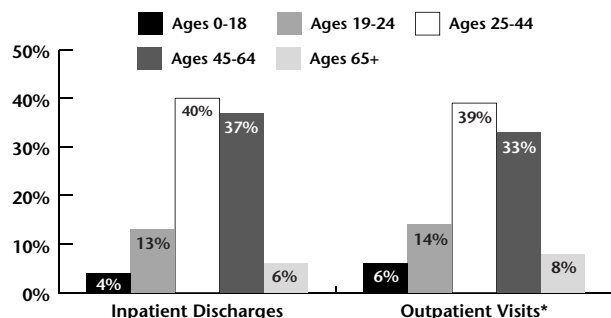
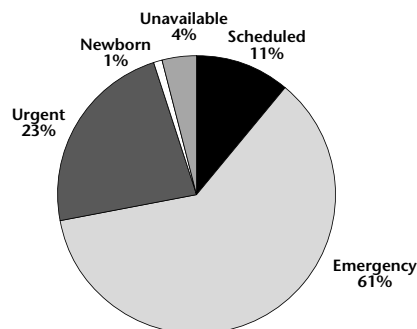


Figure 8B: Percent of Costs to the Pool by Claim Type and Patient Age, PFY05 Q1



* Includes visits to hospital outpatient clinics and hospital-licensed CHCs.

Figure 9B: Percent of Costs to the Pool by Inpatient Admission Type, PFY05 Q1



Hospital Utilization by Gender

Consistent with previous quarters, utilization of inpatient and outpatient services differed dramatically for men and women during PFY05 Q1. Fifty-eight percent (58%) of all inpatient services were for men, while 59% of outpatient services (including care in outpatient clinics and hospital-licensed health centers) were for women (see Figure 7A).

The inpatient care for men accounted for 63% of inpatient costs billed to the Pool, or approximately \$35.3 million, while inpatient care for women accounted for 37% of inpatient costs, approximately \$20.7 million. In contrast, outpatient care for women

accounted for over half (54%) of outpatient costs, approximately \$64.3 million, while care for men accounted for the remainder (46%), approximately \$54.8 million (see Figure 7B and Table 1).

Hospital Utilization by Age

Pool users ages 25 to 44 received the most care of any age group in both hospital inpatient and outpatient settings, and generated the highest percentage of costs. However, the inpatient care for Pool users ages 45 to 64 was disproportionately expensive; services for this group accounted for 29% of inpatient discharges, but 37% of inpatient costs (see Figures 8A and 8B).

Table 2: Top Inpatient Major Diagnostic Categories for Uncompensated Care Patients by Percent of Total Visits and Cost to the Pool, PFY05 Q1

MDC	Percent of Total Inpatient Discharges	Percent of Total Inpatient Costs
Circulatory Diseases and Disorders	13%	14%
Mental Diseases and Disorders	11%	12%
Alcohol/Drug Use and Induced Organic Mental Disorders	13%	8%
Digestive Diseases and Disorders	10%	9%
Nervous System Diseases and Disorders	6%	10%
Respiratory Diseases and Disorders	8%	7%
Musculoskeletal Diseases and Disorders	7%	7%
Hepatobiliary Diseases and Disorders	5%	7%
Pregnancy, Childbirth, and the Puerperium	4%	2%
Kidney and Urinary Tract Diseases and Disorders	3%	2%
Total for Top MDCs	80%	78%

Type of Admission

Eighty-eight percent of inpatient services were for emergency or urgent care; slightly less than two-thirds (63%) were for emergency care, and one quarter (25%) were for urgent care. An additional 10% were for scheduled (coded as “elective”) procedures (see Figure 9A).

Top Reasons for Inpatient Discharges

In PFY05 Q1, the most common two reasons for inpatient care were for circulatory disorders and mental diseases; 24% of services and 26% of costs were attributable to these MDCs (see Table 2). Inpatient discharges for mental health and substance

abuse related disorders continued to be prevalent within the Pool user population. Together, these diagnoses comprised 24% of inpatient diagnoses and 20% of costs.

Top Reasons for Outpatient Visits

Outpatient pharmacy services continued to represent the largest share of outpatient volume (27%) in PFY05 Q1 (see Table 3). Interestingly, however, these visits generated just 15% of outpatient costs. These were bills for outpatient pharmacy services only; when pharmacy services occurred along with other outpatient services, the bill was grouped under the primary service provided.

Table 3: Outpatient Ambulatory Patient Groups (APGs) for Uncompensated Care Patients by Percent of Total Visits and Costs, PFY05 Q1

APG	Percent of Total Visits	Percent of Total Costs
Pharmacy	27%	15%
Pulmonary Tests	4%	10%
Simple Gastrointestinal Diseases	2%	3%
Individual Comprehensive Psychotherapy	3%	1%
Counselling or Individual Brief Psychotherapy	2%	2%
Simple Musculoskeletal Diseases Except Back Disorders	2%	1%
Physical Therapy	2%	1%
Upper Respiratory Infections, Ear, Nose, and Throat Infections	2%	1%
Skin Diseases	2%	1%
Hypertension	2%	1%
Total for Top APGs	48%	36%

Table 4: Average Charge per Inpatient Admission and Outpatient Visit, PFY05 Q1 including Comparison Cost Data from PFY04

	Number of Inpatient Visits/ Outpatient Discharges PFY05 Q1	Hospital Costs to the Pool PFY05 Q1	Average Cost PFY05 Q1	Average Cost PFY04
Inpatient Discharges	8,485	\$56,042,827	\$6,605	\$5,471
Outpatient Visits	415,770	\$119,091,006	\$286	\$255
Total Inpatient Discharges/ Outpatient Visits	424,255	\$175,133,833	\$413	\$388

Average Cost per Inpatient Discharge and Outpatient Visit

The average cost per inpatient discharge and outpatient visit increased significantly in PFY05 Q1 when compared with PFY04, and was approximately \$6,605 per inpatient discharge, and about \$286 per outpatient visit (see Table 4). This represents an increase of 21% for the average inpatient cost per discharge, and an increase of 12% for the average outpatient visit over PFY04.

Data Notes

Data used in these analyses were drawn from the following sources:

Monthly Reports from Hospitals and CHCs

Each month, hospitals and CHCs report their uncompensated care charges to the Division. Hospitals use the UC (uncompensated care) form and CHCs use the CHC Payment form. The UC form is an aggregation of monthly hospital charges; the CHC Payment form details monthly visit activity for CHCs as well as certain charge activity. The UC forms are matched to each hospital's claims in the Division of Health Care Finance and Policy claims database.

Pool Claims Database

Hospitals and CHCs began electronic submission of Pool claims to the Division in March 2001. During PFY03, the Division began to withhold payments from hospitals with incomplete data. As a result, compliance with data submission requirements has

improved dramatically. Although variability exists among providers, Pool charges reported in the claims database equal approximately 90% of the charges reported by hospitals on the monthly UC forms they submit to the Division.

Pool Applications Database

Hospitals and CHCs began to submit electronic uncompensated care application forms to the Division in October 2000. The application contains data as reported by the applicant. Documentation of income and residency is required; hospitals and CHCs review and maintain the documentation.

Matched Pool Applications and Claims Database

To the extent possible, the Division matches uncompensated care claims to the corresponding uncompensated care application. Matching is based on the applicant's social security number or tax identification number when available. Additional matching uses an algorithm based on other available data such as phonetic last name, phonetic first name, date of birth, provider, etc. Since there are no applications associated with emergency bad debt (ERBD) claims, ERBD claims data are excluded from the match.

To date, approximately 91% of uncompensated care claims have been matched to applications. A certain small percentage of claims remains unmatched because of timing issues (e.g., applications submitted after an uncompensated care claim has been written off), or because of inconsistencies in personal identifiers that hinder matching.

Appendix: Uncompensated Care Pool Sources and Uses of Funds, PFY04-PFY05 Q1

<u>Uncompensated Care Trust Fund (Off Budget)</u>	<u>PFY04</u>	<u>PFY05</u>
Budgeted Revenue Sources		
Hospital Assessment	157.5	160.0
Surcharge Payers	157.5	160.0
General Fund Contribution	140.0	210.0
Other Funding Sources		
General Fund Transfer, Supp. Budget. (§. 154, Ch. 352 Acts of 2004)		12.0
General Fund Transfer	35.0	75.0
Surplus from PFY98 and PFY99*	6.7	12.0
Prior Fiscal Year UCP balance	28.0	
Medical Assistance Transfer Account (off budget)		7.2
Transfer of FFP pursuant to the Jobs & Growth Relief Rec Act of 2003	55.0	
Supplemental Budget Appropriation to CHCs	3.0	
Transfer from account # 4000-0896 (Essential)		75.0
Total Sources	582.7	711.2
Uses of Funds		
UCTF Pool Uses of Funds		
Hospitals	(386.7)	(498.6)
Audit Adjustments	-	-
Hospital Net After Audit Adjustments	(386.7)	(498.6)
Community Health Centers	(31.0)	(39.9)
Demonstration Projects (Historic Pool)	(3.0)	(3.0)
Demonstration Project: Disease Management	0.0	(4.9)
Pool Audit Unit: Transfer to Inspector General	0.0	(4.9)
Administration/Data Collection	(2.0)	0.0
MassHealth Essential	(160.0)	(160.0)
Total Uses	(582.7)	(711.2)
 <u>Uncompensated Care Pool: Financial Summary</u>	 <u>PFY04</u>	 <u>PFY05 Q1</u>
Hospitals		
Hospital Payments	(386.7)	(121.6)
Offsets to UCP	(120.0)	(35.0)
Net Allowable UCP Costs**	(684.5)	(175.0)
Hospital Shortfall	(177.8)	(18.4)
Community Health Centers		
Community Health Center Payments	(31.0)	(9.5)
Net Allowable UCP Costs	(30.4)	(9.5)
CHC Shortfall	0.6	0.0
UCP Surplus/(Shortfall)	(177.2)	(18.4)

* Surpluses from the settlements of PFY98 and PFY99 totaling \$18.7 M were paid out in 2004 and 2005.

** In PFY04, Net Allowable Uncompensated Care Costs are based on 12 months of data for hospitals and 12 months of data for CHCs. In PFY05, UCP Costs for Q1 are based on three months of data.